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DEFICIENCIES IN COST-ACCOUNTING  
PRACTICE IN RUMANIA

M. Maevschi

A new type of cost accounting, patterned after the Soviet cost accounting (khozraschet), was introduced in the Rumanian People's Republic in 1949. This cost-accounting system provides for the computation of costs for enterprises and for individual components of enterprises. The purpose of the system on the enterprise level is to place the financial activity of a plant under the state in order that the state may coordinate the activities of industrial units in regard to supply and contracts. The financial assets of enterprises are deposited at state banks, as in the Soviet system.

The complexity of this type of accounting permitted its application in only modified form. Its function on a practical basis in the Rumanian People's Republic is based on the regulation of contractual relations and agreements between state economic organizations and enterprises, the readjustment of the system of prices and the creation of state prices, state arbitration, a state budget, control of administrative costs, the creation of a savings plan, planning of salaries and wages, the remuneration of labor for quantity and quality of work, the introduction of the prize award system, and the control of accounting within enterprises. The proper functioning of the system depends on the training of qualified personnel to maintain records, and the instruction of workers and officials in socialist methods.

At present, the application of this system is deficient, although conditions necessary for its existence have been created.

Some enterprises, however, have applied it with success. The use of the system by Sovrommetal in Resita resulted in the following increase in labor productivity: taking 1948 as 100 percent, labor productivity per capita in 1949 was 146 percent, and in 1940, 149 percent. Labor productivity in the Resita area was 94.6 percent greater in 1950 than in 1948. Bank credits were

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27.1 percent lower in 1950 than in 1948, thus freeing 610,944,000 lei for productive purposes elsewhere. The increased production of sheet metal by Sovrommetal resulted in 40.5 percent greater supply in 1950 than in 1948. This enabled recipients to obtain raw materials more readily for the increase of their production. Among the plants thus benefiting were Steagul Rosu Steagul Rosu Railroad Car Plant? in Stalin, Flamura Rosie Flamura Rosie Railroad Car Plant? in Arad, the 1 Mai plant in Ploesti, 23 August 23 August Steel Plant? in Bucharest, the Sovromtransport naval yards, and others.

Vulcan Vulcan Machinery and Equipment Plant? in Bucharest has been especially successful in the use of the Soviet accounting system. It has regularly exceeded plans and improved its work qualitatively. The Sovrommetal Uzina (Sovrommetal Steel? Plant) maintained daily records in order to reduce the cost of production. Workers, technicians, and officials in Timisoara succeeded in saving 280 million lei. A number of enterprises under the Ministry of Light Industry succeeded in saving the state 202 million lei from their working capital.

However, there are still a number of enterprises which have not succeeded in applying the new cost-accounting method. The Chitila Chitila Sugar Refinery? the Republica plant, and the pharmaceutical-chemical enterprise in Bucharest found themselves in serious financial difficulties because they failed to maintain financial discipline.

Vasile Luca, in a speech on 19 October 1949, pointed out a number of difficulties which still occur in the application of the cost-accounting system. At that time he said that there were defects in the organization of records and in the control of costs and expenses, failures to respect the plan provisions in regard to the level of costs and the unjustified increase in delivery prices, the lack of norms for utilization of materials, unrealistic work norms, faulty application of the system for the award of prizes, failure to respect quality specifications, and large-scale errors in planning and organization.

In April 1951, almost 2 years later, Vasile Luca again spoke on the application of the accounting system. He found that many faults had not been remedied. He pointed out that a number of enterprise managements had shown an uncooperative attitude toward the introduction of this system for determining the profitability of economic units. There were greater increases in the wage fund than in the volume of production. The increase in wages had exceeded the increase in labor productivity, thus raising production costs during periods when plans called for reductions. There were deviations from financial discipline which lessened the profitability of enterprises and curtailed income. There was too much overtime work, unfairness in the distribution of prizes, a tendency to avoid contracts or to fail to fulfill contract stipulations. These errors resulted in the lowering of the quality of products, the lessening of variety, and the raising of prices.

One of the greatest errors common among enterprise managements is that of remaining in arrears in the maintenance of records and the registration of accounts. The failure to keep records up to date results in the spending of sums greater than provided by the budget, in the spending of funds reserved for deposit in state banks to cover plan losses, and delays in deposits because of the lack of documentation.

Another important error is the failure to adhere to the banking plan. In numerous instances enterprises used funds for unauthorized purposes or exceeded their budgets. Funds designated for development are being used to procure production equipment. Salaries are taken from the savings fund. Advances are granted on salaries after the books have been balanced, so that the figures no longer correspond to the amount on hand. Funds set aside for nurseries and old age homes are used for the furnishing of the office of a plant director.

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A great number of enterprises have too much stock on hand because of the late delivery or failure to deliver their products to consumers by the General Directorate for Procurement.

These conditions result in the reduction of working capital, the failure to repay credits granted by the State Bank, and the creation of supplementary expenses. The necessary measures must be taken to wipe out such errors.

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